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Munsey, Frank Andrew

An address by
Frank A. Munsey before...

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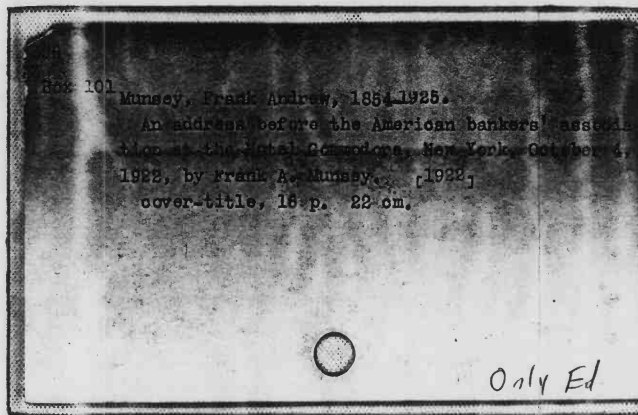
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An Address
BEFORE THE
American Bankers' Association

At the Hotel Commodore,
New York, October 4, 1922.

By FRANK A. MUNSEY

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An Address

BY FRANK A. MUNSEY

BEFORE THE

American Bankers' Association at the
Hotel Commodore, New York,
October 4, 1922.

MR. PRESIDENT AND GENTLEMEN: Mr. Lonsdale's telegram inviting me to speak at this convention expressed the belief that I might say something to you that would be helpful to banking and helpful to business. My discussion of the business and industrial outlook for 1922, published in *The New York Herald* on the first day of the year, seems to have been largely responsible for the impression.

That forecast was substantially optimistic. This is as far as it went. The basic conditions on which sound prosperity rests were not yet right, but they were improving. We had put twenty months of retrenchment between us and the wild orgy of inflation and speculation of 1919. My purpose was to show that we were making progress toward better times, and that what we needed was confidence. People never get very far, never accomplish very much, while enshrouded in gloom. Confidence is necessary to progress, but confi-

dence governed by facts and sound reasoning is the only confidence worth while.

We are a mercurial people. We are either up in the clouds or down in the depths. When business is good, industries are humming, securities booming, there is no limit to our optimism. We are temperamentally incapable of seeing that the period of high pressure activities cannot go on forever. And so, too, we are temperamentally incapable of seeing any light and hope ahead when we are plunged from the bright heights of booming prosperity into the valley of gloom. This does not apply to all Americans. It does not apply to far-seeing, sound-reasoning men, but it is true of the American people in the large bulk.

One of the soundest pieces of work ever done in this country, one of the most necessary pieces of work ever done in this country, was done by the banks in 1920, in calling a halt to speculation and reckless expansion.

It called for fine courage to jam on the brakes as you gentlemen jammed them on at that time. We were running wild with wide open throttle; we were running straight for a smash that would have paralyzed the nation and stunned the world, when, under the able leadership of Mr. W. P. G. Harding, governor of our reserve bank system, you warned the country that it must immediately begin slowing down, and you applied the remedy that meant slowing down.

There was no other way to save the situation. There was no other force, not even the Government

itself, that could have saved the situation. Industries cannot run without money fuel, business cannot function without money fuel, speculation falls flat without money fuel; and since the banks held the money of the country they alone were in a position to initiate and carry through retrenchment.

In my January 1 discussion of conditions this year, as in my January 1 discussion of conditions last year, I painted no alluring picture of business. I saw no boom in the offing, and did not wish to see one, for conditions were not yet right.

What I wished to see, and regret that we have not seen, is a gradual but thorough liquidation in our production costs and in distribution costs, a general liquidation in house rents and other living expenses. With this liquidation we should have a sound foundation on which to build business and to look with justifiable confidence for a good run of prosperity.

But instead of lower production costs, we have gone to higher production costs; instead of liquidation in the wage scale, we have inflated the wage scale; instead of lower housing costs, we are compelled to maintain, if not to increase, the present housing cost.

In this situation are the underlying conditions right for a run of sound business prosperity, and have they been such as to justify the bull market of the last six months? Isn't the business revival largely in response to the cry of empty shelves? If so, will the activity last?

And how about foreign trade? With our high

cost of production, there is and can be no such thing as foreign trade for America, except in raw materials, in foodstuffs, and in certain specialties. Production costs that make competition with other countries impossible annihilate our export trade; and without foreign trade what is the answer?

In spite of all this; in spite of the fact that general conditions have not been right; in spite of the serious conditions abroad; in spite of the long drawn out coal strike; in spite of the disastrous railroad strike, security prices have gone steadily up, until now they stand at figures warranted only on sound economic conditions.

But have we sound economic conditions, considering our relations with Europe in her financial and economic distress, and considering, in the large view, our own unrest and our unsolved and unsettled problems? And is business generally coming back in dependable volume, or is the revived activity merely spotty?

You may very well fancy that it is not altogether clear to me why the rebound from depressing conditions of eight months ago should have come on so fast. No, it isn't altogether clear to me. I question if the underlying conditions are right to sustain the premature boom of recent months. It may very well be, however, that I am wrong. To be right all the while is to be a drone or to own the world.

But the discussion of finance and economics and immediate business is not my purpose to-day. You are all steeped in finance, in economics, in the

science of banking, and what you don't know about these will be told to you by other speakers.

The labor problem is one of our most pressing problems just now. The country hasn't enough labor to carry on its work, hasn't enough skilled mechanics, especially in the building trades, to carry on its work.

With wages advancing lower living costs are not possible. In the steel mills and in the textile centers wages have had a sensational advance, and this advance was compulsory because of the shortage of labor.

In both fields of activity it was a question of bidding high for labor or shutting down the plants. Labor, like commodities, is subject to the law of supply and demand. The wage of labor will never come down until the supply exceeds the demand.

The law passed by Congress soon after the war restricting immigration is wholly responsible for the present labor shortage. If this law had never gone on the statute books, if our portals had remained as free to immigration since the war as they were before the war and as they have been throughout our history, our inflated wage scale would have been well liquidated before now.

That wages would not deflate when there was a shortage of labor should have been clear to the Washington statesmen. It should have been clear to them because of the fact that America does not produce its own labor, and never has produced its own labor since the formation of the Government. England, France, Germany, Italy, and all the

countries of the Old World produce their own labor. They do not depend upon foreign labor to do their work. Our only domestic labor, outside of the rural sections, is colored, and in the North that is wholly negligible. There isn't enough of it to make a dent in the situation.

We produce no labor in America for the reason that there is no sympathy between the American public school and the pick and the ax. Put a boy through an American public school, whether he be the son of an immigrant laborer or the son of an old line American, the result is the same. He will have nothing to do with labor.

And what is true of the American boy is true of the American girl, in respect of service. This spirit is fine, admirable. It is the spirit that has made America what she is—the richest and strongest nation in the world. But it leaves us without labor of our own and almost wholly dependent on foreign labor to do the plain, simple work that only human hands can do.

We must have a substratum of plain labor. Modern life and modern civilization cannot exist without it. We must have mechanics, carpenters, plumbers, plasterers, bricklayers and painters to build housing quarters for our people. Modern civilization cannot exist without this skilled labor, and the present shortage of it is so great that mechanics here in New York have been demanding and getting bonuses beyond the union scale that have run their wages up to as much as \$15 a day.

In Chicago prices have gone still higher—as high as \$25 a day for plasterers, according to a Chicago dispatch published in one of the morning papers in New York a few days ago. Can you fancy anything more impossible than this? Can you fancy what it means in house rents, what it means in the cost of the shoes we wear, the clothes we wear, the food we eat? For all branches of labor have a direct bearing, the one on the other, in respect of wages.

In this situation it is perfectly clear that the country should demand, and that you should demand, an immediate change in our immigration laws—a change that will let into this country the willing workers of the Old World who are begging at our doors for admittance. In the matter of immigration what we need, and what common intelligence dictates we should have, is not restrictive laws but a selective system.

Any change in the immigration law that would let into this country more plain labor and more skilled mechanics will be fought to the limit by organized labor. Whether our present restrictive law was passed at the behest of organized labor I do not know; but I do know that the law is exactly what organized labor has been contending for, and what organized labor will contend for with all its force.

OUR POLITICAL MACHINERY.

A country the size of America, a democracy, must have party government. There is no other

way to manage it. No big concern can exist without organization, and the biggest business concern in the world to-day is the American Government.

A democracy is a mutual concern managed by the citizens of the country. With a population of a hundred and ten millions, obviously the only way the individual citizen can make himself felt in the management of his business—and his Government is his business—is through a political party.

We are not lacking in party organization. Indeed, the Democratic and Republican parties are so strongly organized, so thoroughly entrenched in the field of politics, that it is a question if they have not become our masters, not our servants.

In the early days of the Republic they represented distinct and positive ideas. But with these great fundamental ideas converted into history there are no longer any big outstanding issues between them that have any place in our politics.

There are, to be sure, many small points on which the Republican and Democratic parties differ to-day. It is their business to differ, to create differences, to work up issues, without which they would cease to exist as political parties.

It is the business of each party to oppose and to fight the acts and proposals of the other party. There is very little team work between the two parties in Congress and in our State Legislatures given to constructive measures—very little team work given to the economies of government, given unselfishly to the interests of the Government and to the interests of the people.

The truth is that neither party has a sufficient margin of safety to justify it in taking chances on such cooperation; that neither party has sufficient margin of safety to justify it in forgetting for a minute the vote back home.

While this political jockeying has been going on since the great old issues disappeared, a new issue has developed that now divides all America into two political camps, as yet without political names. They are the radical camp and the conservative camp, and within each camp there is a wide range of thought and feeling.

Some day, and not a very distant day at that, these two groups will evolve into organized political parties with names that signify what they stand for.

The names of the Republican and Democratic parties have no significance that fits the present day. Each means substantially the same thing—means a stand for popular government. Since, however, we are not by way of changing our form of government, these party names mean nothing.

It is not in me to put aside things that are old simply because they are old. No more is it in me to continue the use of things that are old simply because they are old. I have no such maudlin sentiment.

If an old machine can give as good an account of itself as a new machine it is the part of economy, the part of common sense, to continue using it. If it cannot do this it is an economic crime to continue using it. This is as true of political machinery as

it is of any tangible machinery in our vast steel plants or other great undertakings.

And so, if the two old parties can continue to do our work as well as strictly new parties could do it, I should certainly favor keeping them in the harness. It would be the easy way. But, personally, I do not believe they can deliver the goods, handicapped as they are by the accumulated prejudices of time.

What we want and should have is service, and we should see to it that we have the machinery that can give us the service. In our political conventions it has been the custom of both parties to dwell at length on their historic achievements. This does not mean a thing to me. What a party can do, is doing, means everything to me.

The salvation of our present situation would be a liberal conservative party, numerically strong enough to hold the balance of power against the radical forces.

There is no more conservative section of the country than the South. The conservative people of the South naturally belong with, and should line up with, the conservative people of the North. With new political parties this would be perfectly simple, while it is not possible with the old parties as separate entities in the field.

To make it plainer: If, for example, the Democratic party should come out as the radical party, retaining the old Democratic name, can you fancy that men who had been voting the Democratic ticket all their lives, however conservative their sen-

timents, would switch over in large numbers to the Republican party?

And considered from the other side, can you fancy that men who have been voting the Republican ticket all their lives, however radical their sentiments, would switch over in large numbers to the Democratic party?

This is the crux of the whole matter, for the important thing in this situation is for our voters to enroll with the party that stands for the thing they stand for in their own hearts. And this is not possible with the Republican party and the Democratic party in the field. With these two old parties out of the way, the new political alignment of the people would obviously be in perfect accord with their sentiments.

But there is one way that these two old parties could be of the greatest service to the country. This is through consolidation. Still the name—the Democratic-Republican party, or whatever it might be—would give no indication of its policies. Nevertheless, this combination of forces would constitute a mighty wall of strength reared against the fast rising tide of radicalism.

I can see nothing so important to this nation as would be the welding together in a great solid unit of all our citizens who think alike as concerns constitutional government, who think alike as concerns property rights, who think alike as concerns the institutions of our Government under which we have grown into a great, powerful and happy people.

Reconsecrated to liberal conservatism—liberal conservatism in fact—our politics would be in much better shape than they are to-day, in much better shape than they have been since finishing the work for which the two old parties were originally formed.

With radicalism the issue, with a radical party on the one hand and a liberal conservative party on the other, there would no longer be occasion in Congress and our State Legislatures for jockeying for issues.

I have said that the very great issues which separated the Democratic and Republican parties have passed into history. Let us go back and check up the facts. The original issue between the Democratic party and the old Whig party, the predecessor of the present Republican party, in the early days of the Republic, was the tariff.

Almost at the outset of the Republic friction began to develop between the North and the South over this question. The South, with its abundant crops of cotton, corn, and tobacco, and with no manufacturing, stood out for free trade. It could live and prosper on the products of its soil. It had no infant industries to protect, and, as the South reasoned, why should it be taxed through the mechanism of a tariff to protect the infant industries of the North?

The North, on the other hand, without the sunshine and the fertile soil of the South, could not live on the products of its own hard, rocky acres. With the North it was a question of industrial develop-

ment or no development at all. Its small factories could not compete with the established factories of England without a tariff that would level up the costs of production abroad with the costs of production at home.

And so the issue was clearly and sharply drawn between the two sections, with their wholly different interests. As time went on, the feeling over this issue became so tense that John C. Calhoun and Robert Hayne, Senators from South Carolina, came out vigorously for the separation of the South from the Union.

This action created a storm that shook the young Republic to its very depths. A long and bitter fight followed, but under the leadership of Daniel Webster, Senator from Massachusetts, the battle was won for the maintenance of the Union. The tariff sore, however, remained unhealed.

And the contention of Hayne and Calhoun that the States had a right to secede from the Union still gripped the people of the South, and had some following in the North. The Democratic party was the instrument of the Southern idea; the old Whig party, the predecessor of the present Republican party, was the instrument of the Northern idea.

Later came the slavery question, which stirred the South to the point of putting the Hayne-Calhoun contention to the test. That question, the right of secession, was settled by the civil war—that question and the slavery question.

With these two issues passed on to history only free trade, the original issue, survived the war as

the big dividing issue between the two parties. And now that question has been settled, in point of fact, through the South itself becoming one of the greatest industrial camps in the Union—an industrial camp destined to become bigger than the North, vastly bigger, for the reason that it has the raw materials at its door, has lower living costs and is nearer to the centers of consumption.

In this situation the tariff has no place in our politics. It is wholly a business question, and should be so treated. Standing out, however, as the original issue between the two parties, it is still the fighting ground between them and to the shame of the American people, who permit these two old parties to keep this great economic question under the sordid heel of politics.

For a considerable time after the civil war one other of the prewar issues between the two parties continued as a stalking horse. That was State rights. Considered literally, and in its original meaning, it was a dead issue; but it gradually came to mean the relative balancing of the powers of the States with the national Government.

That issue no longer functions, for in the eight years of the recent Democratic Administration the national Government took on greater powers in relation to the States than it had ever done in all our history.

America is in a transition stage to-day. The whole world is in a transition stage to-day. America has cut loose from the conservatism of our fathers and penetrated deep into the wilderness of radi-

calism. This is true in our politics, in our statesmanship, in our social life, in our business life, in our point of view in all things.

The change from a century ago has been insidious, revolutionary. The amassing of great fortunes, general prosperity, organized labor, the spirit of unrest, the spirit of Bolshevism, the love of play, the demand for short working hours, the general dislike for work—all these are represented in the new idea, in the spirit of the times.

We must give earnest consideration to this change and square ourselves to our responsibilities. Good government is back of good banking, back of good business. There can be no safe banking without good government. There can be no safe business prosperity without good government, and it is our duty—your duty, gentlemen—to see to it that we have the right machinery to insure good government.

America is the best living country in the world to-day, with its incomparable natural resources and incomparable opportunities for human advancement. America is worth saving. If it is saved, it will be saved by you and by men like you; if it is lost to the world as the foremost example of democracy, it will be lost by you and by men like you.

Nothing succeeds without ownership interest in the management. This is as true of Governments as of business; as true of your Government as of your banks. If you want a good government you must pay the price that insures a good government.

The price of good government in a republic means a deep personal interest in your government, the same serious interest you have in your business. The price of good government in a republic means work, means watchfulness, means giving the best there is in you to your government.

A man may serve his government in many ways. Public service does not consist solely in holding public office. The organization back of public office is in the public service quite the same as the Congressman or the Governor or the President, for it is the organization that puts him in office. Service in the organization is fundamental and imperative in the life of a democracy.

The position you hold in your respective communities means more than being a good banker, means more than earning dividends for your stockholders. It means citizenship responsibility, means citizenship service to your respective communities, means citizenship service to your country.

The living of a life is a serious business. The life that absorbs from the world, gets everything it can out of the world, and gives back nothing to the world is not worth while. It is a flat waste of human force.

**END OF
TITLE**